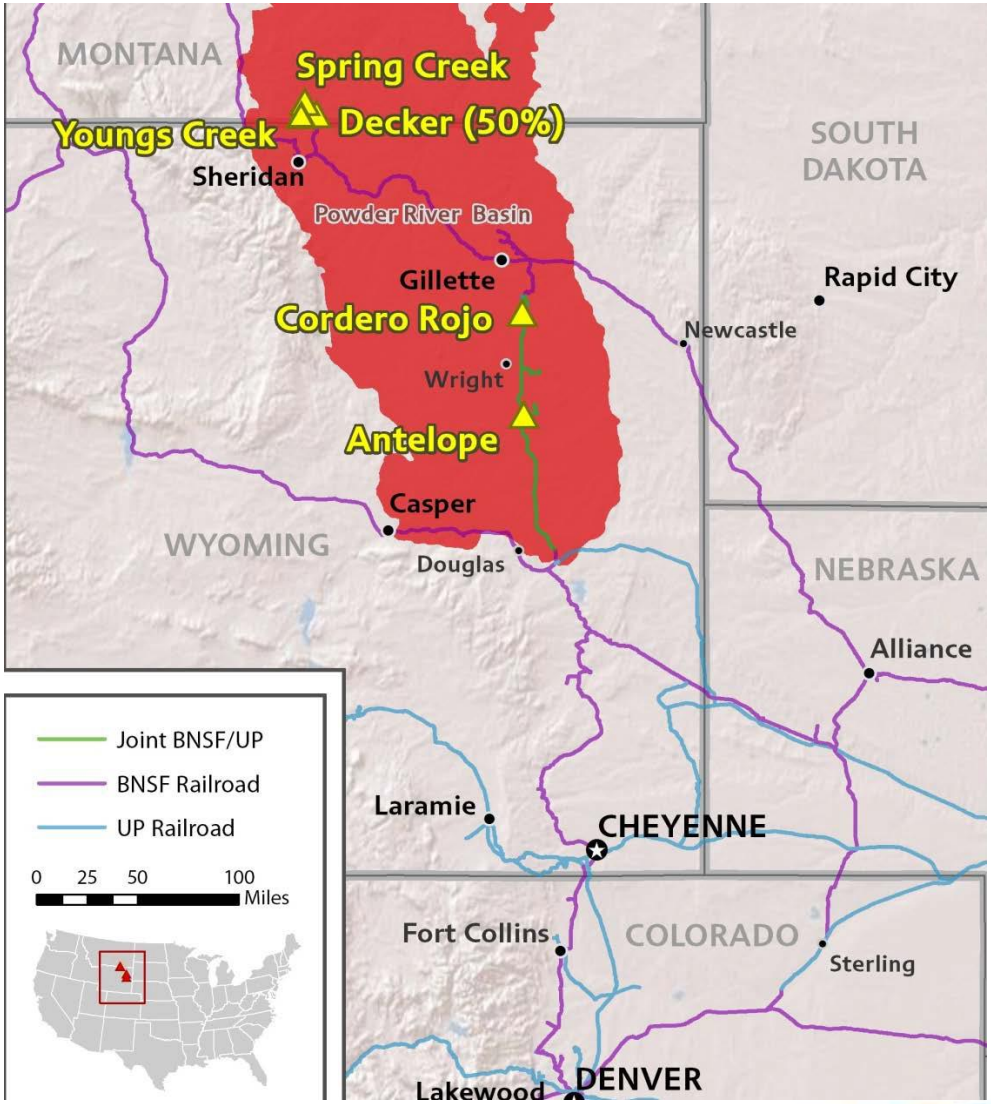
Presentation to Montana Sage-grouse Advisory Council

Bob Green – June 25, 2013

Cautionary Note Regarding Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are not statements of historical facts, and often contain words such as "may," "will," "expect," "believe," "anticipate," "plan," "estimate," "seek," "could," "should," "intend," "potential," or words of similar meaning. Forward-looking statements are based on management's current expectations, beliefs, assumptions and estimates regarding our company, industry, economic conditions, government regulations, energy policies and other factors. These statements are subject to significant risks, uncertainties and assumptions that are difficult to predict and could cause actual results to differ materially and adversely from those expressed or implied in the forward-looking statements. For a description of some of the risks and uncertainties that may adversely affect our future results, refer to the risk factors described from time to time in the reports and registration statements we file with the Securities and Exchange Commission, including those in Item 1A "Risk Factors" of our most recent Form 10-K and any updates thereto in our Forms 10-Q and current reports on Forms 8-K. There may be other risks and uncertainties that are not currently known to us or that we currently believe are not material. We make forward-looking statements based on currently available information, and we assume no obligation to, and expressly disclaim any obligation to, update or revise publicly any forward-looking statements made in our presentation, whether as a result of new information, future events or otherwise, except as required by law.

Cloud Peak Energy Operations



Note: Youngs Creek project contains coal and land assets acquired in 2012

Environmental Performance

ISO 14001 Environmental Management Systems

- Initially certified in 2005 – most recent recertification 2012
- Continuous improvement

2012 Office of Surface Mining (OSM) Good Neighbor Award to all CPE operations

- Reclamation and mining education outreach, flood responses

2009 OSM – Excellence in Surface Mine Reclamation Award to Spring Creek Mine

- Voluntary plantings of rare plant (woolly twinpod)

2005 OSM – Excellence in Surface Mine Reclamation Award to Spring Creek Mine

- Shrub establishment and reclamation of the South Fork stream channel

Federal Coal Leasing Process

- **Internal Planning Process and Preparation**
- **Submit Application for Lease by Application (LBA)**
  - Regional Coal Team Review and Approval
- **NEPA**
  - Baseline Environmental and Socio-Economic Data Collection
    - Includes Wildlife, T&E, Vegetation, Soils among other data
  - Exploration Application/Public Notification/Approval
  - Public Scoping and Comment
  - Publish Draft EIS
  - Public Hearing and Comment
  - Publish Final EIS
  - Final Public Comment
  - BLM Record of Decision
  - Appeal Period
  - Lease Sale

Leasing Process (continued)

Unsuitability Considerations for Federal Leasing (43CFR 3461)

- The Federal surface management agency applies 20 established criteria to unleased Federal coal lands to determine their suitability for mining operations
- The unsuitability review occurs primarily during overall land use planning, but the criteria can also be applied when considering a specific lease application
- Criteria include Federal lands that the Federal agency and State jointly agree are:
  - Habitat for resident wildlife of high interest to the State; and
  - Essential for maintaining these high interest species
- Federal coal leasing can occur after consultation with the State determines that mining will not have a significant, long-term impact on species of high interest
- Public comments are solicited on the application of unsuitability criteria

For lands suitable for leasing the sale process can incorporate wildlife stipulations in the lease

Coal Permitting Process

Surface Mining Control and Reclamation Act (SMCRA) Framework Overview

- **State permit applications based on SMCRA, require that applications include:**
  - Detailed wildlife information from baseline data collection and existing studies
  - Detailed habitat information
  - Detailed mine plans and reclamation plans
  - Mining sequences
  - Reclamation sequences contemporaneous with mining
  - Seeding mixtures and methods
  - Reclamation shrub density standards/commitments

- **Support Infrastructure Development (e.g. Access Roads)**
  - Regulated under SMCRA and USFS (where applicable)
  - USFWS Section 7 Consultation
  - Timing restrictions applicable to wildlife species of concern

- **Mine and Reclamation (M&R) Plan**
  - Detailed life-of-mine plans
  - Designs for contemporaneous reclamation
  - Annual reclamation reports; updated bond, monitoring results & reclamation status
  - Permits are reviewed and renewed a minimum of once every five years
    - MFWP & USFWS review wildlife information and mitigation plans

SMCRA M&R Standards

- Approved post-mine land use – livestock grazing and wildlife habitat
- Design post-mine topography to achieve approximate original contour and topographic diversity
- Soil replacement methodology
- Seed mixtures
- Seeding methodology
- Vegetation spp diversity requirements
- Shrub density standards

- Monitoring
  - Includes lek searches and lek attendance surveys for permit area and periphery; annual reporting

Reclamation Research

The coal industry has been progressive in developing best practices and reclamation techniques and initiating research for successful vegetation re-establishment.

In particular, the coal industry has successfully advanced the science and practice of reclamation in arid and semi-arid environments. This knowledge has been compiled in a handbook of techniques and results of research that have been successfully applied on-the-ground.

http://www.techtransfer.osmre.gov/nttmainsite/Library/hbmanual/westrecl2nd/handbook.pdf

Sharing Reclamation Techniques

HANDBOOK

OF

WESTERN RECLAMATION

TECHNIQUES

Second Edition
2006

Coal Mining Initiatives

- Development of dependable and repeatable sagebrush-shrub establishment techniques
- Shrub establishment workshops for federal and state agencies and private landowners
- Conservation initiatives with grass-roots organizations; (e.g. Th Basin Grassland Prairie Ecosystem Assoc) and independently:
  - **Developed voluntary Conservation Measures for Conservation Agreements**
  - Cheatgrass control research and treatments
  - Lek attendance studies
  - Sage-grouse habitat use-telemetry studies
- Cooperation on natural resource education (e.g. Audubon and Community Naturalists)

Adequacy of Regulatory Mechanisms

Recent recognition of the adequacy of SMCRA to minimize impacts to sage-grouse and conserve the species in core areas:

"Your third specific question asked if permitting pursuant to SMCRA is adequate to protect sage-grouse in core areas. The provision for conservation of Federal trust species, including candidates such as greater sage-grouse, under SMCRA and its implementing regulations, are sufficient for conservation of this species."

November 10, 2010 – Scott Hicks, USFWS to Ryan Lance – Office of the WY Governor

Habitat Recovery & Replacement Plan

Example HRRP actions at Spring Creek Mine 2012-13

- **7 miles unused fence removed from s-g habitat**
- **~3 miles of wildlife design fence constructed**
- **Grazing lessee agreements for pasture rotation plans**
- **$13,000 funding for Landowner Incentive Program**
- **Facilitating discussions agencies-landowners**
- **Larvicide treatments of water catchments**
- **Currently 225 acres of reclamation interseeded with WY big sagebrush - ongoing**
- **Reclaiming 525 acres of premine pastureland to sagebrush grassland**
- **Initiated study of mechanical treatment options to enhance decadent shrub/habitat areas**

Spring Creek Coal Supporting Montana's Economy in 2012

Montana Taxes and Royalties

Direct taxes and Royalties to Montana		$44 million
Fed royalty to MT		$13 million
Total	>	$57 million

Goods and Services & Community Contributions

>$20 million

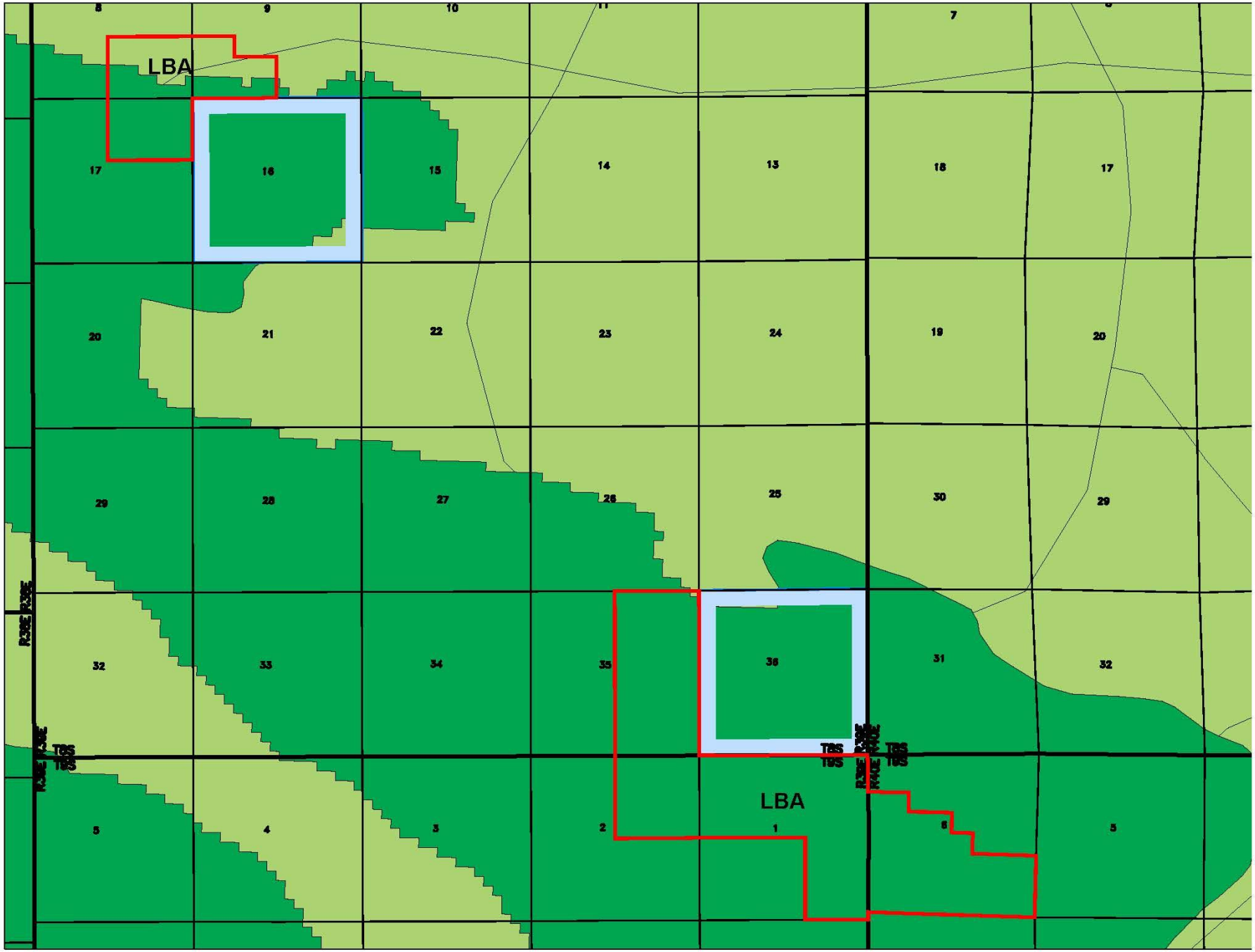
Average Compensation

257 Full-Time Employees

$117,000/year

Total Montana, Wyoming & Federal Taxes paid in 2012

$383 million


LBA
LBA
8
9
10
11
7
17
16
15
14
13
18
17
20
21
22
23
24
19
20
29
28
27
26
25
30
29
32
33
34
35
36
31
32
5
4
3
2
1
6
5
R30E
R31E
R32E
R33E
T6S
T5S

Potential Economics of recommended caps

2010-2012 averages from Spring Creek Mine operations

- **203 acres of disturbance per year**
- **18.5 million tons of coal produced per year**
- **91,200 coal tons produced per disturbance acre**
- **About $3/ton to MT in taxes, royalties and share of federal taxes/royalties**
- **Over $1/ton in MT business expenditures and community contributions**
- **Average 18.5 million tons per year production corresponds to:**
  - **About $56 million per year to MT from direct and shared taxes and royalties**
  - **Approximately $17 million per year in MT business and community expenditures**

Contrasting LBA example, caps applied (LBAs are sought to *maintain* production levels)

- **Collective LBA acreage in 7 sections of about 1900 acres with estimated 90% Core**
- **Maximum disturbance cap of 60 acres over 10 years (minimum bond period per SMCRA):**
  - 1700 ac Core @3% ~ 50 ac; 200 ac General @5% ~ 10 ac; proportional for partial sections
  - Assumes no other existing or future human disturbance & viability of 4 pits in 7 sections
- **Average 0 to 6 acres per year disturbance**
- **Projected total 5.5 million tons of coal in 60 acres over 10 years**
- **Average 0 to 0.6 million tons of coal produced per year at above factors corresponds to:**
  - **Projected $0 to $2 million per year to MT from direct and shared taxes and royalties**
  - **Estimated $0 to $1 million per year in MT business and community expenditures**
  - **Off-site mitigation in lieu of caps must be a reliable option**

In summary

Strong regulatory mechanisms are currently in place via the coal leasing processes and the Surface Mining Control and Reclamation Act with implementing state rules

Industry efforts have demonstrated the capability and willingness to reestablish/improve sagebrush/habitat and to implement voluntary actions

Strict application of the recommended disturbance caps to coal mining areas without off-site mitigation options is unworkable.

Mitigation, both off-site and on-site, must be an administrative consideration that can be relied upon for mining in both core and general habitat areas

Conservation Agreements need to be alternative considerations for any recommendations/standards